

CENTRAL YAVAPAI FIRE DISTRICT
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

CENTRAL YAVAPAI FIRE DISTRICT

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Independent Auditors' Report

To the Board of Directors of
Central Yavapai Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Yavapai Fire District, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Yavapai Fire District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the proportionate share of the net pension liability-ASRS, the schedule of contributions-ASRS, the schedule of changes in the net pension liability and related ratios-PSPRS, the schedule of contributions-PSPRS, the schedule of agent OPEB plan funding progress-PSPRS and the related notes to the pension plan schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the Central Yavapai Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Yavapai Fire District's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
December 5, 2016

BOARD OF DIRECTORS

Steve Rutherford	Chairman
Bob Page	Clerk
Vici Lee Jacobs	Member
Darlene Packard	Member
Tom Steele	Member

CHIEF OFFICERS

Scott Freitag	Fire Chief
Scott Bliss	Assistant Chief Support Services
Dave Tharp	Assistant Chief of Administration
Jeff Polacek	Assistant Chief of Operations
Cougan Carothers	Battalion Chief, A-Shift
Brad Davis	Battalion Chief, B-Shift
Todd Abel	Battalion Chief, C-Shift
John Feddema	Training Chief
Rick Chase	Fire Marshal, Division Chief

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**Central Yavapai Fire District
Management's Discussion and Analysis
June 30, 2016**

As management of Central Yavapai Fire District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with District's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$361,582. Of this amount, \$13,154,004 is invested in capital assets, net of related debt, \$471,628 is restricted for debt service, and a negative balance of \$13,264,050 is unrestricted.
- During the year, the District's total net position increased by \$63,220.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,747,050, a decrease of \$1,183,518 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,761,808 or 12 percent of the 2016 fiscal year's total budgeted operating expenditures.
- The District's total debt for general obligation bonds decreased by \$915,000 during the current fiscal year. The decrease is due to the satisfaction of regularly scheduled bond debt service payments.
- Total revenue received in the General Fund was \$1,125,387 more than the final budget and expenditures were \$138,853 more than the final budget.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. Consequently, the entity-wide presentation utilizes the accrual basis of accounting and consolidates all governmental funds of the District.

Management's Discussion and Analysis - Continued

The *statement of net position* presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Management establishes governmental funds based on the application of generally accepted accounting principles and the evaluation of applicable laws, regulations and reporting objectives.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three (3) individual governmental funds: the General Fund, Capital Reserve Fund, and Debt Service Fund. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for each fund, each of which are considered to be the major funds of the District; the concept and determination of major funds has been established by the Governmental Accounting Standards Board (GASB).

Management's Discussion and Analysis - Continued

The District adopts an annual appropriated budget to levy taxes and provide for its General Fund. A budgetary comparison schedule for the general fund has been provided as part of the supplementary information following the basic financial statements to demonstrate compliance with the budget and is presented on page 53.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary funds financial statements can be found on pages 21-22 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23-50 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Central Yavapai Fire District, assets exceeded liabilities by \$361,582 at the close of the most recent fiscal year.

Of the District's net position, \$13,154,004 reflects its investment in capital assets (e.g., land, buildings and improvements, apparatus, operations equipment, communications and administrative equipment); less any related debt still outstanding used to acquire those assets. Net position of \$471,628 is restricted for scheduled debt service payments. The remaining net position of negative \$13,264,050 is unrestricted.

Management's Discussion and Analysis - Continued

The following page contains a comparative analysis between the current and the prior fiscal year for the government-wide statements.

	Governmental Activities	
	6/30/2016	6/30/2015
Assets		
Current and other assets	\$ 10,158,345	\$ 10,652,309
Capital assets	24,394,254	23,499,509
Total assets	34,552,599	34,151,818
Deferred outflows of resources	6,219,315	5,119,612
Long-term liabilities outstanding	35,954,491	35,326,329
Other liabilities	2,965,990	1,661,925
Total liabilities	38,920,481	36,988,814
Deferred inflows of resources	1,489,851	1,984,814
Net position:		
Net investment in capital assets	13,154,004	11,547,139
Restricted for debt service	471,628	474,470
Unrestricted	(13,264,050)	(11,723,247)
Total net position	\$361,582	\$ 298,362

In comparison to 2015, the total net position of the District increased by \$63,220. Key elements of this increase from the prior year are as follows:

- As a result of an increase in assessed valuations, property taxes increased by \$1,011,128 in 2016 in comparison to 2015.
- Expenses for personnel and public safety retirement increased \$538,819 due to increased expenditures for employed personnel and increased contribution rates for retirement programs.
- Net investment in capital assets increased by \$1,606,865 due to the purchase of multiple capital purchases, including an Administrative Building.

Management's Discussion and Analysis - Continued

The following table presents a comparative summary of the District's revenues and expenditures for the current and preceding fiscal years.

	<u>Governmental Activities</u>	
	<u>6/30/2016</u>	<u>6/30/2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,545,002	\$ 674,469
Operating grants and contributions	332,856	35,607
General revenues:		
Taxes	14,859,244	13,848,116
Unrestricted interest earnings	32,718	29,793
Total revenues	<u>16,769,820</u>	<u>14,587,985</u>
Expenses:		
Public Safety	<u>16,706,600</u>	<u>16,167,781</u>
Total expenses	<u>16,706,600</u>	<u>16,167,781</u>
Increase/ (decrease) in net position	63,220	(1,579,796)
Net position, beginning	298,362	21,286,610
Restatement adjustment	0	(19,408,452)
Net position, ending	<u>\$ 361,582</u>	<u>\$ 298,362</u>

Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,747,050 a decrease of \$1,183,518 in comparison with the prior year's balance. The largest components of the decrease is the use of \$1,010,885 of unassigned fund balance from the prior period, and an increase of personnel and public safety retirement costs of \$386,534 from the prior year.

Management's Discussion and Analysis - Continued

Of the total combined governmental fund balance of \$8,747,050, the amount restricted for debt services payments was \$471,628, and the remaining amount of \$6,513,614 is committed to capital reserves. The remaining amount is comprised of an unassigned fund balance of \$1,761,808, which is available for spending at the District's discretion.

The **General Fund** accounts for all of the financial resources of the District, which are not accounted for in any other fund. At the end of the current fiscal year, spendable fund balance of the general fund was \$1,761,808. As a measure of the general fund's liquidity, it may be useful to compare spendable fund balance to total fund expenditures. Spendable fund balance represents 10.4% of total general fund expenditures of \$16,874,499.

The **Capital Reserve Fund** accounts for reserves set aside for significant capital purchases. The Capital Projects Fund is considered to be committed to capital asset expenditures, but is available as fund liquidity for District expenditures.

The **Debt Service Fund** accounts for the property tax levy dedicated to the payment of principal and interest on general obligation bonds.

Budgetary Highlights

During fiscal year 2016 there were no modifications to the General Fund's originally adopted budget. Total actual revenues were \$1,125,387 more than budgeted revenues, while total actual expenditures were \$138,853 more than budgeted expenditures. The revenue variance was attributed to more than average provided service collections and the expenditure variance was primarily attributed to more than anticipated cost for support services and capital expenses.

Capital Asset and Debt Administration

Capital assets – The District's investment in capital assets as of June 30, 2016, totals \$24,394,254 (net accumulated depreciation). These assets include land, buildings and improvements, apparatus, operations equipment, communications and administrative equipment.

Major capital asset transactions during the year include the following:

- Payment for one (1) Type I Fire Engine
- Payment for Joint HAZ MAT Vehicle
- Payment for 2 Heart Monitors
- Payment for the purchase of Administrative Offices

For more detailed information, see page 32 in the notes to the financial statements.

Management’s Discussion and Analysis - Continued

Long-term Debt – At the end of the current fiscal year, the District had total outstanding debt of \$37,782,852. Long-term debt consists of the following items:

- General Obligation Bonds - \$10,855,000
- Bond Premiums - \$130,106
- Net Pension Liabilities - \$25,136,303
- Compensated Absences - \$1,406,299
- Capital Lease - \$255,144

All of the debt is backed by the full faith and credit of the District. Additional information regarding long-term debt of the District can be found in the notes to the financial statements on pages 33-35.

Economic Factors and Next Year’s Budgets and Rates

The District is subject to general economic conditions such as increases or declines in property tax value or other types of revenues that vary with economic conditions.

Property values the Central Yavapai Fire District have decreased over the few past years. Fire Districts are funded largely by property taxes and when values decrease, the District must respond in their budgeting process by cutting costs and/or increasing the tax levy.

Fiscal Year	Net Assessed Valuations	% Change	Levy Amount	% Change	Tax Rate	Budget	% Change
2010-2011	793,036,861	-12.07%	13,409,077	0.01%	\$1.69	15,994,167	8.01%
2011-2012	647,776,495	-18.32%	12,030,906	-10.28%	\$1.86	16,893,482	5.62%
2012-2013	529,166,122	-18.31%	11,565,704	-3.87%	\$2.19	18,607,437	10.15%
2013-2014	489,046,527	-7.58%	11,463,180	-0.89%	\$2.34	17,053,442	8.35%
2014-2015	521,054,327	6.54%	12,355,859	7.79%	\$2.37	16,132,327	-5.40%
2015-2016	534,237,001	2.53%	13,284,318	7.51%	\$2.49	16,735,644	3.74%

Property values in the District are down by 47.2% since fiscal year 2011. In the past fiscal year, the District saw a 2.53% increase in net assessed value; however, the implementation of Proposition 117 will enforce a maximal allowed increase in property value of 5% since fiscal year 2016. While the District has been able to budget through tax levy increases for the past two years, beginning in fiscal year 2016, property values are forecasted to increase by 2-3% annually. Therefore, the District will be forced to look at all expenses, including personnel expenses and capital replacement, and make decisions based on the new values with a conservative outlook on revenue projections.

Legislation also plays a major role in the development of budgets. With the legislative restrictions of a maximum tax rate of \$3.25, restrictive budget capacity increase of 8% per year (cumulative allowance), and Proposition 117 restriction of assessing property based on the Limited Property Value (LPV) from Full Cash Value (FCV) Assessments - the future trend will

Management's Discussion and Analysis - Continued

not sustain significant M&O budget increases. However, ongoing pension liability increases and contributions with legal challenges will force further budget and expenditure restrictions. Ultimately, without ongoing new construction growth or ever-expanding District boundaries, the organization will be regressively locked in a system of limited revenue and expanding expenses due to increased service demands and personnel costs.

Due to the aforementioned challenges and financial limitations, the District had entered into an Intergovernmental Agreement (IGA) with the Chino Valley Fire District for joint management. This agreement allowed the sharing of resources through administrative and upper management, providing an opportunity for financial review and decreased costs for services, supplies and personnel for the district. The Joint Management Agreement for fiscal year 2016 has led to a new IGA to create a Joint Powers Authority (JPA) under A.R.S § 48-805.01. This will create an organization that will manage all operations and personnel of both the Central Yavapai and Chino Valley Fire Districts. Additionally, all assets, liabilities and personnel will be transferred to the new organization – the Central Arizona Fire and Medical Authority – effective July 1, 2016.

Request for Information

The District's financial statements are designed to present users (citizens, taxpayers, government entities and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional financial information, please contact the District's administrative office at 8555 E. Yavapai Road, Prescott Valley, 86314, call (928)772-7711, or visit the district's website at www.cazfire.org

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BASIC FINANCIAL STATEMENTS

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,478,747
Accounts receivable	320,452
Taxes receivable	359,146
Capital assets:	
Non-depreciable	4,478,598
Depreciable (net)	19,915,656
Total assets	34,552,599
 Deferred Outflows of Resources	
Deferred charge on refunding	309,324
Deferred outflows related to pensions	5,909,991
Total deferred outflows of resources	6,219,315
 Liabilities	
Accounts payable	505,122
Salaries and wages payable	472,522
Other accrued liabilities	159,985
Noncurrent liabilities:	
Due within one year	1,828,361
Due in more than one year	35,954,491
Total liabilities	38,920,481
 Deferred Inflows of Resources	
Deferred inflows related to pensions	1,489,851
Total deferred inflows of resources	1,489,851
 Net Position	
Net investment in capital assets	13,154,004
Restricted for debt service	471,628
Unrestricted	(13,264,050)
Total net position	\$ 361,582

The accompanying notes are an integral part of the financial statements.

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

	Governmental Activities
Expenses:	
Public safety - fire protection and emergency services	
Fire safety and emergency services	\$ 12,692,741
Risk management services	453,280
Administrative and support services	1,884,936
Depreciation	1,242,059
Interest	433,584
	16,706,600
 Program revenues:	
Charges for services	1,545,002
Operating grants and contributions	332,856
	1,877,858
	14,828,742
 General revenues	
Property taxes	14,543,848
Fire District Assistance Tax (FDAT)	315,396
Interest earnings	32,718
	14,891,962
	63,220
Net position - beginning	298,362
Net position - ending	\$ 361,582

The accompanying notes are an integral part of the financial statements.

CENTRAL YAVAPAI FIRE DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Funds
Assets:				
Cash	\$ 2,501,306	\$ 6,513,614	\$ 463,827	\$ 9,478,747
Property tax receivables	326,372	-	32,774	359,146
Accounts receivable	295,452	-	-	295,452
Due from other funds	25,000	-	-	25,000
Total Assets	<u>3,148,130</u>	<u>6,513,614</u>	<u>496,601</u>	<u>10,158,345</u>
Liabilities:				
Accounts payable	505,122	-	-	505,122
Salaries and wages payable	472,522	-	-	472,522
Other accrued liabilities	159,985	-	-	159,985
Total Liabilities	<u>1,137,629</u>	<u>-</u>	<u>-</u>	<u>1,137,629</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	248,693	-	24,973	273,666
Total deferred inflows of resources	<u>248,693</u>	<u>-</u>	<u>24,973</u>	<u>273,666</u>
Fund Balance:				
Restricted-debt service	-	-	471,628	471,628
Committed-capital reserves	-	6,513,614	-	6,513,614
Unassigned	1,761,808	-	-	1,761,808
Total Fund Balances	<u>1,761,808</u>	<u>6,513,614</u>	<u>471,628</u>	<u>8,747,050</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,148,130</u>	<u>\$ 6,513,614</u>	<u>\$ 496,601</u>	<u>\$ 10,158,345</u>

The accompanying notes are an integral part of the financial statements.

CENTRAL YAVAPAI FIRE DISTRICT
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2016

Total fund balances - governmental funds		\$ 8,747,050
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet as follows:</p>		
Governmental capital assets	34,874,251	
Accumulated depreciation	<u>(10,479,997)</u>	24,394,254
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet as follows:</p>		
Bonds payable	(10,855,000)	
Compensated absences	(1,406,299)	
Unamortized bond premiums and deferred charges	179,218	
Capital leases	(255,144)	
Net pension liability	<u>(25,136,303)</u>	(37,473,528)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows related to pensions	(1,489,851)	
Deferred inflows related to pensions	<u>5,909,991</u>	4,420,140
<p>Receivables which are not available to pay for current period expenditures are deferred on the governmental funds balance sheet.</p>		273,666
Net position of governmental activities		<u><u>\$ 361,582</u></u>

The accompanying notes are an integral part of the financial statements.

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 13,217,017	\$ -	\$ 1,327,981	\$ 14,544,998
Fire district assistance tax	315,396	-	-	315,396
Maintenance agreements	54,832	-	-	54,832
Charges for services	1,145,164	-	-	1,145,164
Rents	33,444	-	-	33,444
Grants	332,856	-	-	332,856
Interest income	13,783	28,408	4,310	46,501
Miscellaneous income	297,779	-	-	297,779
Total Revenues	<u>15,410,271</u>	<u>28,408</u>	<u>1,332,291</u>	<u>16,770,970</u>
Expenditures:				
Current:				
Fire safety and emergency services	12,369,459	-	-	12,369,459
Risk management services	451,594	-	-	451,594
Administration and support services	1,889,458	-	-	1,889,458
Debt service:				
Principal	-	-	915,000	915,000
Interest	-	-	420,133	420,133
Capital outlay	2,163,988	-	-	2,163,988
Total Expenditures	<u>16,874,499</u>	<u>-</u>	<u>1,335,133</u>	<u>18,209,632</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,464,228)</u>	<u>28,408</u>	<u>(2,842)</u>	<u>(1,438,662)</u>
Other Financing Sources (Uses):				
Debt proceeds	255,144	-	-	255,144
Transfers from other funds	2,000,000	339,619	-	2,339,619
Transfers to other funds	(339,619)	(2,000,000)	-	(2,339,619)
Total Other Financing Sources (Uses):	<u>1,915,525</u>	<u>(1,660,381)</u>	<u>-</u>	<u>255,144</u>
Net change in fund balances	451,297	(1,631,973)	(2,842)	(1,183,518)
Fund Balances - Beginning of Year	<u>1,310,511</u>	<u>8,145,587</u>	<u>474,470</u>	<u>9,930,568</u>
Fund Balances - End of Year	<u>\$ 1,761,808</u>	<u>\$ 6,513,614</u>	<u>\$ 471,628</u>	<u>\$ 8,747,050</u>

The accompanying notes are an integral part of the financial statements.

CENTRAL YAVAPAI FIRE DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ (1,183,518)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays recorded in the current period.</p>	2,136,804
<p>Depreciation expense on capital assets is reported in the statement of activities but it does not require the use of current financial resources.</p>	(1,242,059)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal paid on long-term debt	915,000
Proceeds from the issuance of long-term debt	(255,144)
Amortization of bond premiums and deferred charges (net)	(13,451)
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the District's report date. Pension expense, which is the change in net pension liability adjusted for the change in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>	(238,341)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenue - property taxes.</p>	(1,150)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in accrued compensated absences.</p>	<u>(54,921)</u>
Change in net position of governmental activities	<u><u>\$ 63,220</u></u>

The accompanying notes are an integral part of the financial statements.

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Net Position
Pension Trust Fiduciary Fund
June 30, 2016

	Pension Trust Fund
Assets	
Cash	\$ 74,154
Investments	345,442
Other assets	222
Total Assets	<u>419,818</u>
Liabilities	
Due to general fund	<u>25,000</u>
Total Liabilities	<u>25,000</u>
Net Position	
Held in trust for pension benefits	<u><u>\$ 394,818</u></u>

The accompanying notes are an integral part of the financial statements.

CENTRAL YAVAPAI FIRE DISTRICT
Statement of Activities
Pension Trust Fiduciary Fund
For the Year Ended June 30, 2016

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 2,918
Employee	2,918
Investment earnings	4,733
Interest income	<u>60</u>
Total additions	<u>10,629</u>
 Deduction:	
Payments to plan participants	21,950
General and administrative	<u>7,992</u>
Total deductions	<u>29,942</u>
 Change in net position	 (19,313)
 Net position - beginning	 <u>414,131</u>
 Net position - ending	 <u><u>\$ 394,818</u></u>

The accompanying notes are an integral part of the financial statements.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 1. Summary of Significant Accounting Policies

Reporting entity

Central Yavapai Fire District (the District) was organized as a Special Service District pursuant to the provisions of Chapter 5 of Title 48 of the Arizona Revised Statutes – Special Taxing Districts, which sets forth the legal framework for a fire district. The District provides fire protection, emergency medical services, and public education programs for areas in and surrounding the City of Prescott, Arizona. The District is governed by an elected five member board of directors, which appoints the chairman. The District does not have any component units, meaning entities for which the District is considered to be financially accountable.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government’s funds. The emphasis of the District’s fund financial statements is on major governmental funds, each is displayed in a separate column. Currently the District has only one fund, the General Fund.

The District reports the following major governmental funds:

The **General Fund** is the government’s primary operating fund. It accounts for all financial resources of the general government that are not accounted for in another fund.

The **Capital Project Fund** is used to account for board designated monies transferred from the General Fund and expended for the construction of buildings and improvements as well as for the acquisition of major equipment for use by the District.

The **Debt Service Fund** is used to account for legally restricted tax levies of the District which are used to meet ongoing debt service requirements.

Additionally, the District reports the following fund type:

The **Pension Trust Fund** is a Fiduciary Fund and is used to account for assets held on behalf of others, namely the Volunteer Firefighter Pension Trust Fund.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, Fire District Assistance Taxes (FDAT), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, cash equivalents, and investments

Cash includes cash on hand, demand deposits with banks and deposits with the Yavapai County Treasurer. The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories and other investments as allowed by state statutes.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the District's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, improvements, vehicles, equipment and furniture and fixtures, are reported in the governmental activities column in the government-wide statement of net position. In accordance with GASB 34, the District has opted not to retroactively report infrastructure assets. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	35-40 years
Vehicles and equipment	3-25 years

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has two types of items, which qualifies for reporting in this category. One item is a deferred outflow related to the refunding of the Series 2005A bonds. The other item is pension related items reported on the government-wide financial statements. See Note 7 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is pension related items reported on the government-wide financial statements. See Note 7 for more information.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by resolution authorized the board chairman to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter. A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from government service. For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements.

Receivables and payables

All program service receivables are shown net of an allowance for uncollectible amounts. However, at year end, no allowance was made for uncollectible accounts as management expects all receivables to be fully collectible.

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" on the governmental fund financial statements. The effect these interfund transactions between governmental funds are eliminated on the statement of net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 2. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the Board.

Budgetary Process: State law requires that on or before the third Monday in July of each fiscal year, the Board must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption, however, they may be decreased.

Final Budget Adoption: State law specifies that exactly seven days prior to the day the property tax levy is adopted, the Board must adopt the final budget for the fiscal year. The date in State law for adoption of the tax levy is on or before the third Monday in August. The adopted budget then becomes the amount proposed for expenditure in the upcoming fiscal year. The adoption of the final budget may take place through a simple motion approved by the Board.

For management purposes, the District adopts a budget for departments within the General Fund. The Fire Chief is authorized to transfer budgeted amounts within departments; however, any revisions that alter total expenditures must be approved by the Board. Budget amendments are required to increase expenditure budgets. Expenditures may not legally exceed budgeted appropriations at the local activity level.

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the fund level. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual report as listed in the table of contents present expenditures/expenses over appropriations for the year ended June 30, 2016, if any.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 3. Deposits and Investments

Deposits and investments of the District at June 30, 2016 consist of the following:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity (2)</u>
Cash on deposit with the			
Yavapai County Treasurer (Governmental	\$ 9,478,747	N/A	N/A
Cash on deposit with the			
Yavapai County Treasurer (Fiduciary Fund)	\$ 74,154	N/A	N/A
Oppenheimer Limited Bond Class A	146,197	(1)	N/A
Oppenheimer Limited Term Govt Fund Class A	<u>199,245</u>	(1)	N/A
	<u><u>\$ 9,898,343</u></u>		

(1) Ratings are unknown.

(2) Interest rate risk is estimated using the weighted average days to maturity, when applicable.

Deposits

Custodial Credit Risk

For deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. The deposits, consisting of the bank balance of \$9,591,144 as of June 30, 2016, with the Yavapai County Treasurer's investment pool represent a proportionate interest in the pool's portfolio. However, the District's allocation is not identified with any specific investments and is not subject to custodial credit risk.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the state statutes which define allowable investments.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the state statutes which define allowable investments.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 3. Deposits and Investments (Continued)

Investments

The District's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the county treasurer's pool, and other investments as allowed by state statutes. Eligible Arizona depositories as defined by state statutes are any commercial bank or savings and loan association with its principal place of business in the state of Arizona, which are insured by the federal deposit insurance corporation, or any other insuring instrumentality of the United States.

Fair value measurements

As noted above, the District holds investments that are measured at fair value on a recurring basis. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Oppenheimer Funds as listed above are valued using quoted prices that are observable for the assets (Level 2 inputs)

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CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 4. Capital Assets

The following table summarizes changes to capital assets for the year ended June 30, 2016:

Governmental Activities:	Balance 6/30/2015	Additions	Deletions	Reclassifications	Balance 6/30/2016
Capital assets, not being depreciated:					
Land	\$ 2,807,151	\$ -	\$ -	\$ -	\$ 2,807,151
Construction in progress	401,761	2,136,804	-	(867,118)	1,671,447
Total capital assets, not being depreciated	<u>3,208,912</u>	<u>2,136,804</u>	<u>-</u>	<u>(867,118)</u>	<u>4,478,598</u>
Capital assets, being depreciated:					
Buildings and improvements	18,199,365	-	-	-	18,199,365
Vehicles	7,136,427	-	-	582,074	7,718,501
Furniture and equipment	4,192,743	-	-	285,044	4,477,787
Total capital assets, being depreciated	<u>29,528,535</u>	<u>-</u>	<u>-</u>	<u>867,118</u>	<u>30,395,653</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,535,060)	(487,628)	-	-	(4,022,688)
Vehicles	(3,630,186)	(407,712)	-	(5,709)	(4,043,607)
Furniture and equipment	(2,072,692)	(346,719)	-	5,709	(2,413,702)
Total accumulated depreciation	<u>(9,237,938)</u>	<u>(1,242,059)</u>	<u>-</u>	<u>-</u>	<u>(10,479,997)</u>
Total capital assets, being depreciated, net	<u>20,290,597</u>	<u>(1,242,059)</u>	<u>-</u>	<u>867,118</u>	<u>19,915,656</u>
Governmental activities capital assets, net	<u>\$ 23,499,509</u>	<u>\$ 894,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,394,254</u>

Depreciation expense of \$1,242,059 was charged to the public safety function of the District.

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CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 5. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	Balance 6/30/2015	Additions	Retirements	Balance 6/30/2016	Current Portion
General Obligation Bonds:					
Series 2005A	\$ 1,240,000	\$ -	\$ (605,000)	\$ 635,000	\$ 635,000
Series 2008B	4,600,000	-	(275,000)	4,325,000	285,000
Series 2013	5,930,000	-	(35,000)	5,895,000	95,000
Bond Premiums	182,370	-	(52,264)	130,106	-
Capital Lease	-	255,144	-	255,144	47,761
Net Pension Liabilities	23,237,581	1,898,722	-	25,136,303	-
Compensated Absences	1,351,378	765,600	(710,679)	1,406,299	765,600
Total Governmental Activities	\$ 36,541,329	\$ 2,919,466	\$ (1,677,943)	\$ 37,782,852	\$ 1,828,361

Long-term debt of the District at June 30, 2016 is comprised of the following issues:

General Obligation Bonds:

Governmental Activities:

Series 2005A General Obligation Bonds, due in annual principal installments ranging from \$550,000 to \$635,000, bearing interest semi-annually at 2.25% to 4.30%, maturing July 1, 2017. \$ 635,000

Series 2008B General Obligation Bonds, due in annual principal installments ranging from \$255,000 to \$450,000, bearing interest semi-annually at 2.00% to 4.40%, maturing July 1, 2028. 4,325,000

Series 2013 General Obligation Bonds, due in annual principal installments ranging from \$35,000 to \$895,000, bearing interest semi-annually at 2.69%, maturing July 1, 2024. 5,895,000

Total Governmental Activities 10,855,000

Net Pension Liabilities 25,136,303

Accrued Compensated Absences 1,406,299

Capital Lease 255,144

Bond Premiums 130,106

Total Long-Term Debt 37,782,852

Less Current portion:
 Governmental Activities (1,828,361)

Net Long-Term Debt \$ 35,954,491

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 5. Long-Term Debt (Continued)

The annual requirements to amortize bonds payable at June 30, 2016 are as follows:

Year Ended June 30,	General Obligation Bonds	
	Principal	Interest
2017	\$ 1,015,000	\$ 419,167
2018	1,055,000	377,917
2019	1,095,000	331,270
2020	1,125,000	299,026
2021-2025	5,270,000	964,231
2026-2028	1,295,000	194,175
Totals	\$ 10,855,000	\$ 2,585,786

In prior years, the District defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements.

In June 2016, the District entered into a capital lease agreement with Motorola Solutions, Inc. as lessor to finance the purchase of radio equipment. The capital lease payable totaled \$255,144. Under the terms of the lease, annual payments of \$56,206 shall be made including interest at an effective rate of 3.31 percent. The final payment is scheduled to be made in May 2021. The balance outstanding at June 30, 2016 was \$255,144.

A summary of capital assets financed through capital leases is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Equipment	\$ 255,144	\$ 8,505	\$ 8,505

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 5. Long-Term Debt (Continued)

The future minimum lease obligation and the net present value of these lease payments as of June 30, 2016 were as follows:

	Year Ended June 30,	Governmental Activities
	2017	\$ 56,206
	2018	56,206
	2019	56,206
	2020	56,206
	2021	56,206
Total remaining minimum lease payments:		281,030
Less: amount representing interest:		(25,886)
Present value of remaining minimum lease payments:		\$ 255,144

Note 6. Interfund Transfers

Interfund transfers for the fiscal year ending June 30, 2016 are as follows:

	Transfers in:	
	General Fund	Capital Reserve Fund
<u>Transfers out:</u>		
General Fund	\$ -	\$ 339,619
Capital Project Fund	2,000,000	-
Total	\$ 2,000,000	\$ 339,619

Transfers were made to move unrestricted general fund revenues to the capital project fund to be used for future purchases of capital assets and from the capital projects fund to the general fund for the current year purchase of capital assets.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans

The District contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2016, the District reported the following aggregate amounts related to pensions for all to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net pension liabilities	\$ 25,136,303
Deferred outflows of resources	5,909,991
Deferred inflows of resources	1,489,851
Pension expense	2,370,092

The District's accounts payable and other current liabilities includes \$121,253 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also, the District reported \$2,131,751 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The District participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before July 1, 2011	Initial Membership Date On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

The District's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2014	\$ 120,036	\$ 6,633	\$ 2,653
2015	125,127	6,779	1,379
2016	143,560	6,616	1,588

Pension liability – At June 30, 2016, the District reported a liability of \$1,934,867 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The District's proportion measured as of June 30, 2015, was 0.012420 percent, which was a decrease of 0.000025 percent from its proportion measured as of June 30, 2014.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2016, the District recognized pension expense for ASRS of \$140,189. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,798	\$ 101,389
Net difference between projected and actual earnings on pension plan investments	-	62,008
Changes in proportion and differences between contributions and proportional share of contributions	36,987	2,810
Contributions subsequent to the measurement date	143,560	-
Total	<u>\$ 233,345</u>	<u>\$ 166,207</u>

The \$143,560 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2017	\$ (13,888)
2018	(62,234)
2019	(45,063)
2020	44,763
2021	-
Thereafter	-

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

The long-term expected rate of return on ASRS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.79%	3.94%
Fixed income	25%	3.70%	0.93%
Commodities	2%	3.93%	0.08%
Real Estate	10%	4.25 %	0.42%
Multi-asset	5%	3.41%	0.17%
Totals	100%		5.54%
	Inflation		3.25%
	Expected arithmetic nominal return		8.79%

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	\$ 2,535,337	\$ 1,934,867	\$ 1,523,348

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan description – The District contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

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CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

Benefits provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

Employees covered by benefit terms – At June 30, 2016, the following employees were covered by the agent pension plans’ benefit terms:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	15
Active employees	74
Total	122

Contributions and annual OPEB cost – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, active PSPRS members were required by statute to contribute 11.65 percent of their annual covered salary to the PSPRS and the District was required to contribute 35.42 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 0.29 percent.

For the agent plans, the District’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

Pension

Contributions made	\$ 1,962,621
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Health Insurance Premium Benefit

Annual OPEB cost	\$ 17,367
Contributions made	17,367

Pension liability – At June 30, 2016, the District reported a net pension liability of \$23,201,436. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2015, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the District’s net pension liability as a result of the statutory adjustments is not known.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

Pension actuarial assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual Entry Age Normal
Discount rate	7.85%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	16.00%	6.23%
Non-U.S. Equity	14.00%	8.25%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	2.92%
Credit Opportunities	13.00%	7.08%
Absolute Return	5.00%	4.11%
GTAA	10.00%	4.38%
Real Assets	8.00%	4.77%
Real Estate	10.00%	4.48%
Risk Parity	4.00%	5.13%
Short Term Inv	2.00%	0.75%
Total	100.00%	

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

Discount Rate –A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	<u>\$ 45,278,068</u>	<u>\$ 23,881,932</u>	<u>\$ 21,396,136</u>
Changes for the year:		-	
Service cost	1,035,170	-	1,035,170
Interest on total pension liability	3,487,876	-	3,487,876
Changes of benefit terms	-	-	-
Difference between expected and actual experience in the measurement of the pension liability	407,232	-	407,232
Changes of assumptions	-	-	-
Contributions - employer	-	1,600,476	(1,600,476)
Contributions - employee	-	658,449	(658,449)
Net investment income	-	866,725	(866,725)
Benefit payments, including refunds of employee contributions	(2,728,228)	(2,728,228)	-
Other changes*	-	(672)	672
Net changes	<u>2,202,050</u>	<u>396,750</u>	<u>1,805,300</u>
Balances at June 30, 2016	<u><u>\$ 47,480,118</u></u>	<u><u>\$ 24,278,682</u></u>	<u><u>\$ 23,201,436</u></u>

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the District's net pension liability calculated using the discount rate noted above, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of			
Net pension (asset) / liability	\$ 28,969,759	\$ 23,201,436	\$ 18,400,910

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2016, the District recognized pension expense for PSPRS of \$2,229,903. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 354,139	\$ 620,807
Changes in assumptions	2,568,238	-
Net difference between projected and actual earnings on	791,648	702,837
Contributions subsequent to the measurement date	1,962,621	-
Total	\$ 5,676,646	\$ 1,323,644

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

The \$1,962,621 reported as deferred outflows of resources related to PSPRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 345,722
2018	345,722
2019	345,722
2020	580,001
2021	382,089
Thereafter	391,125

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the District and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the District and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2016 contribution requirements:

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.50%

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2014	\$ 72,644	100%	-
	2015	75,252	100%	-
	2016	17,367	100%	-

Agent plan OPEB funded status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow.

	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 1,014,068
Actuarial value of plan assets	987,183
Unfunded actuarial accrued liability (UAAL)	<u>\$ 26,885</u>
Funded ratio (actuarial value of plan assets/AAL)	97.35%
Covered payroll (active plan members)	\$ 5,400,098
UAAL as a percentage of covered payroll	0.50%

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 7. Retirement and Pension Plans (Continued)

The actuarial methods and assumptions used for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

Volunteer Firefighters' Relief and Pension Fund

Description of Plan – Central Yavapai Fire District, under Arizona Revised Statutes (ARS) 9-981, has established the Volunteer Firefighters' Relief and Pension Fund, a defined benefit plan. All reserve firefighters of the District participate in the plan. Participants are required to contribute 10% of compensation and not less than \$75 annually. The District matches the contributions of each participant. During fiscal year 2016 plan participants made contributions of \$2,918 into the plan. The District also contributed \$2,918. Distributions are made to plan participants based on the following criteria:

- Partial retirement pension payments will be made with a minimum of 10 years of credited service. Payments are not made until the participant reaches age 55. The payment is \$150 per month with a \$20 increase per month for every additional year of credited service.
- Full retirement pension payments will be made with 25 years of credited service. Payments are not made until the participant reaches age 55. The payment is \$350 per month.
- Death benefits will be paid to beneficiaries, whether in active service or if vested. The benefit will be the member's contributions plus interest. If the vested amount has not been paid out, the balance, plus interest will be paid to the beneficiary.
- Severance of employment of a reserve in good standing (prior to 10 year vested status) will result in a lump sum payment of employee contributions plus interest of 1% above passbook savings rate.
- Severance of employment of a reserve not in good standing will result in lump sum payment for accumulated employee contributions plus interest determined by the pension board.

CENTRAL YAVAPAI FIRE DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and natural disasters. The District has insurance protection and the limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

Note 9. Intergovernmental Agreements

The Chino Valley and Central Yavapai Fire Districts entered into a Joint Management Agreement for the purpose of utilizing Administrative and Senior Management Personnel more effectively for fulfilling the essential and redundant requirements of both organizations. While both organizations have existing IT, Purchasing, Fleet Maintenance, Fire Prevention and Firefighting Operations IGAs, to jointly use the Fire Chief, Finance, HR and Senior Management Staff was an experimental concept for fire districts. This was approved and in effect June 2014.

Note 10. Subsequent Events

Per A.R.S. 48 §805.01, the Chino Valley Fire District and Central Yavapai Fire District Boards of Directors unanimously voted and approved to create a Joint Powers Authority (JPA) on October 15th, 2015 for an effective date of July 1, 2016. While Chino Valley and Central Yavapai will still be in existence for the purpose of collecting taxes and bonding authority, the operations and employee management will be through the Central Arizona Fire and Medical Authority. The purpose of creating the Central Arizona Fire and Medical Authority (CAFMA) is to facilitate the efficient operation of both organizations through combined resources while reducing costs through combining purchasing, providing services and vendor accounts. Individual organizational future costs are also deferred due to reassignment of resources and personnel management. As per the Intergovernmental Agreement (IGA), both organizations transferred all assets, liabilities and personnel to CAFMA effective July 1, 2016. This transfer included all cash, titles of real property and vehicles, receivables, long and short term liabilities (bond debt excluded) and personnel costs (including retirement obligations).

The Central Yavapai and Chino Valley Fire Districts continue to exist as taxing authorities and transfer most receivables to fund the operational expenses of CAFMA as approved in the budgets of each organization. CAFMA is unable to bond for capital asset purchases and that statutory authority (including the bond debt obligation of repayment) is held with each Fire District. A copy of the Resolutions and IGA to create the Joint Powers Authority are available upon request.

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Required Supplementary Information

CENTRAL YAVAPAI FIRE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund – Budget and Actual
For the Year Ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 13,284,318	\$ 13,284,318	\$ 13,217,017	\$ (67,301)
Fire district assistance tax	313,900	313,900	315,396	1,496
Maintenance agreements	46,056	46,056	54,832	8,776
Charges for services	342,600	342,600	1,145,164	802,564
Rents	38,000	38,000	33,444	(4,556)
Licenses and permits	200	200	-	(200)
Grants	165,810	165,810	332,856	167,046
Interest income	15,000	15,000	13,783	(1,217)
Miscellaneous income	79,000	79,000	297,779	218,779
Total Revenues	14,284,884	14,284,884	15,410,271	1,125,387
Expenditures:				
Current:				
Fire safety and emergency services	12,427,715	12,427,715	12,369,459	58,256
Risk management services	514,533	514,533	451,594	62,939
Administration and support services	1,708,552	1,708,552	1,889,458	(180,906)
Contingency	732,538	732,538	-	732,538
Capital outlay	1,352,308	1,352,308	2,163,988	(811,680)
Total Expenditures	16,735,646	16,735,646	16,874,499	(138,853)
Excess of Revenues Over/(Under) Expenditures	(2,450,762)	(2,450,762)	(1,464,228)	986,534
Other Financing Sources (Uses):				
Debt proceeds	-	-	255,144	(255,144)
Transfers from other funds	1,352,308	1,352,308	2,000,000	647,692
Transfers to other funds	-	-	(339,619)	(339,619)
Total Other Financing Sources (Uses):	1,352,308	1,352,308	1,915,525	52,929
Net change in fund balance	(1,098,454)	(1,098,454)	451,297	1,549,751
Fund Balance - Beginning of Year	1,098,454	1,098,454	1,310,511	212,057
Fund Balance - End of Year	\$ -	\$ -	\$ 1,761,808	\$ 1,761,808

CENTRAL YAVAPAI FIRE DISTRICT
Schedule of the Proportionate Share of the Net Pension Liability-ASRS
June 30, 2016

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.012420%	0.001245%
Proportionate share of the net pension liability (asset)	\$ 1,934,867	\$ 1,841,445
Covered employee payroll	\$ 1,329,980	\$ 1,144,117
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	145.48%	160.95%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

Note: The District implemented GASB 68 in fiscal year 2015. Prior year information is not available.

CENTRAL YAVAPAI FIRE DISTRICT
Schedule of Contributions-ASRS
June 30, 2016

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 125,127	\$ 120,036
Contributions in relation to the contractually required contribution	\$ (125,127)	\$ (120,036)
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 1,329,980	\$ 1,144,117
Contributions as a percentage of covered-employee payroll	9.41%	10.49%

Note: The District implemented GASB 68 in fiscal year 2015. Prior year information is not available.

CENTRAL YAVAPAI FIRE DISTRICT
Schedule of Changes in the Net Pension Liability
and Related Ratios -PSPRS
June 30, 2016

Public Safety Personnel Retirement System

	Reporting Fiscal Year	
	(Measurement Date)	
	2016	2015
	(2015)	(2014)
Total pension liability		
Service cost	\$ 1,035,170	\$ 1,039,524
Interest on total pension liability	3,487,876	3,093,089
Changes of benefit terms*	-	517,342
Difference between expected and actual experience of the total net pension liability	407,232	(830,565)
Changes of assumptions	-	3,435,988
Benefit payments, including refunds of employee contributions	(2,728,228)	(1,719,923)
Net change in total pension liability	2,202,050	5,535,455
Total pension liability - beginning	45,278,068	39,742,613
Total pension liability - ending (a)	\$ 47,480,118	\$ 45,278,068
Plan fiduciary net position		
Contributions - employer	\$ 1,600,476	\$ 1,424,610
Contributions - employee	658,449	570,958
Net investment income	866,725	2,865,009
Benefit payments, including refunds of employee contributions	(2,728,228)	(1,719,923)
Other (net transfer)	(672)	(23,074)
Net change in plan fiduciary net position	396,750	3,117,580
Plan fiduciary net position - beginning	23,881,932	20,764,352
Plan fiduciary net position - ending (b)	\$ 24,278,682	\$ 23,881,932
Net pension liability - ending (a) - (b)	\$ 23,201,436	\$ 21,396,136
Plan fiduciary net position as a percentage of the total pension liability	51.13%	52.75%
Covered employee payroll	\$ 6,255,026	\$ 5,536,670
Net pension liability as a percentage of covered-employee payroll	370.92%	386.44%

Note: The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

CENTRAL YAVAPAI FIRE DISTRICT
Schedule of Contributions-PSPRS
June 30, 2016

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
Actuarially determined contribution	\$ 1,600,476	\$ 1,424,610
Contributions in relation to the actuarially determined contribution	\$ (1,600,476)	\$ (1,424,610)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 6,255,026	\$ 5,536,670
Contributions as a percentage of covered-employee payroll	25.59%	25.73%

Note: The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

CENTRAL YAVAPAI FIRE DISTRICT
Required Supplementary Information
Schedule of Agent OPEB Plan Funding Progress-PSPRS
June 30, 2016

Public Safety Personnel Retirement System
Health Insurance Premium Benefit

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	
2013	-	933,400	933,400	0.0%	5,426,031	17.20%
2014	913,281	958,774	45,493	95.26%	5,536,670	0.82%
2015	987,183	1,014,068	26,885	97.35%	5,400,098	0.50%
2016	**	**	**	**	**	**

CENTRAL YAVAPAI FIRE DISTRICT
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2016

NOTE 1. Actuarially Determined Contribution Rates

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

CENTRAL YAVAPAI FIRE DISTRICT
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2016

NOTE 2. Factors that Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

Other Communications from Independent Auditors

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**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
Central Yavapai Fire District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Yavapai Fire District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Central Yavapai Fire District's basic financial statements, and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Yavapai Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Yavapai Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Central Yavapai Fire District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Yavapai Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
Flagstaff, Arizona
December 5, 2016